



Press Release  
January 14, 2009  
Symbols: TSXV: UME; AIM: UGY

## Uruguay Mineral Exploration Inc. Announces Results for the Second Quarter of Fiscal Year 2009

**Uruguay Mineral Exploration Inc.** (UME), a South American focused gold production and exploration company, today reported results for the second quarter of fiscal 2009 ended November 30, 2008.

*David Fowler, Chief Executive Officer commented: "During the quarter we produced 15,837 ounces of gold at an average cash cost of \$US 811 per ounce. Production was below our 20,500 ounce expectation as the grade from the tonnes mined from the western end of the Arenal pit was lower than expected. While the mine plan for Arenal was based on an independently estimated resource model, drill density where the production shortfall occurred was lower than in other areas of the resource model."*

*"We have finalized the review of our adjusted mine plan estimate for FY09 to reflect the incorporation of additional ore from vein sources to offset shortfalls in Arenal high grade ore. As a result, our production for the full year is forecast to be in the range of 72,000 to 75,000 ounces, compared to the figure of 75,000 ounces announced on December 5, 2008. The average cash cost per ounce for the fiscal year is expected to be in the range of \$US 600 to \$US 630 per ounce"*

*Mr. Fowler continued: "We closed the quarter with a cash position of \$US 6.5 million, compared to budgeted levels of \$US 9.5 million. Despite lower production in the first half, it is our objective to end the current financial year with a cash balance of approximately \$US 8 million to \$US 10 million. To achieve this cash balance we are reducing our costs including a 20 percent decline in headcount and cutting planned exploration expenditure by \$US 1.25 million, with funding priority given to near mine exploration."*

Commenting on exploration, Mr. Fowler noted: *"On the exploration front, we continued to focus on our key corporate objective of building a long term production profile at the San Gregorio mine."*

1. Establish new bulk open pit resources that can contribute to mine production within two years: over the past six months, near mine exploration has focused on the area along strike to the east of Arenal. There, Los Castillos, seven kilometres from Arenal is the major new target identified to date. Surface mapping and sampling have defined a structural trend that is over one kilometre in strike length and interpreted to be the offset of the eastern extension of the Arenal structure. Additional mapping, soil sampling and a geophysical IP survey were completed during the quarter confirming the potential of this prospect. Permits were obtained in December and drilling commenced in January. Additional targets are also expected to be developed and tested further along this structural trend in the coming half.

2. Define higher grade open pit vein resources to increase production at San Gregorio over the next three years: initial drill results from broad spaced drilling on the Peru/Esperanza trend are encouraging with 2 meters at 12.68 g/t from 30 meters in drill hole PRRC015 and 3 meters at 4.86 g/t from 26 meters in drill hole PRRC027 reported. The remainder of this trend will be drilled during the second half of fiscal 2009 with good prospects to define multiple higher grade vein deposits to feed the plant in coming years.

3. Define underground resources to contribute to the mine plan within three years: Arenal Deep's drilling results including 29 meters at 3.85 g/t from 300 meters in drill hole ALDD098 and 20.15 meters at 4.44 g/t from 374 meters reported in hole ALDD101 have confirmed a thicker core to the deposit and an independent resource estimate is expected to be completed by March 2009 with engineering and feasibility studies anticipated to follow.

Mr. Fowler continued: *“Away from the mine, our strategy focuses on defining stand-alone deposits or smaller high grade deposits which can be transported to the mine.”*

Progress during the quarter includes:

1. At Paso de Lugo, in the Arroyo Grande Belt in the central west area of Uruguay, sampling during the quarter extended the mineralized vein/shear system to greater than three kilometers in length and up to 150 meters wide. The system is defined by significant rock chip anomalies ranging from 0.5 g/t to 8.0 g/ Au. Permits were received in December and we expect to begin drilling in the second half of fiscal 2009.

2. Definition of a significant new prospect at Rocha, 60 kilometers south of Lascano. First pass and local detailed mapping were completed over a 15 kilometer structural corridor during the quarter with significant surface results of up to 101 g/t Au. Drill targets are expected to be developed during the second half of fiscal 2009 and a drill program is planned for the next financial year.

3. Surface sampling and mapping at the Texas prospect, have identified a high-grade vein system over a one kilometer strike length, with results of up to 72 g/t Au reported from thin veins.

*“Progress was also made on our strategy to dispose of non gold assets. We are in advanced discussions with a diamond exploration company to allow them to earn a majority interest on the Cinco Rios diamond properties and expect to reach a definitive agreement in the near future. At Lascano, the four drill holes completed during the first half of the year continue to offer encouragement of the potential of this system. We will offer the project for joint venture in calendar 2009, following the compilation of all data.” continued Mr. Fowler.*

In closing, Mr. Fowler said: *“Despite a difficult half we have taken the necessary steps to improve the Company's financial performance. Additional high grade ore has been identified for the second half of fiscal 2009 and we are implementing ongoing cost reductions. Exploration is also being refocused on near mine prospects that have the greatest potential to contribute to cash flow in the coming years.”*

Summary of Results <sup>1</sup>	Three-months ended November 30,		
	Q2 2009	Q2 2008	
<b>Operating Results</b>			
Gold produced	Ounces	15,837	26,317
Average cash cost	US\$/oz	811	374
Average price received	US\$/oz	796	761
<b>Financial Results</b>			
Revenue	\$US '000s	11,659	21,180
Net income (loss) for the period	\$US '000s	(7,907)	4,369
Cash flow from operations <sup>2</sup>	\$US '000s	84	8,482
Basic earnings per share	\$US	(0.162)	0.089
Cash at the end of the period	\$US '000s	6,439	14,741
Total debt at the end of the period	\$US '000s	118	2,320

<sup>1</sup> Results are based on Canadian GAAP and expressed in U.S. dollars.

<sup>2</sup> Before non-cash working capital movements.

## REVIEW FOR THE SECOND QUARTER ENDED NOVEMBER 30, 2008

### Production and Costs

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Gold production for the second quarter of fiscal 2009 was 15,837 ounces, below expectations of 20,500 ounces for the period. This was due to a shortfall in higher grade ore from Arenal as fewer tonnes of high grade ore were mined in the western portion of the deposit. While the mine plan for Arenal was based on an independently estimated resource model, drill density where the production shortfall occurred was lower than in other areas of the resource model. During the half the shortfall at Arenal was partially offset by higher than scheduled levels of ore encountered at Veta Sur, Polvorin and San Gregorio East.

As a result of the shortfall in production, on December 5, 2008, UME announced a revised mine plan estimate of 75,000 ounces of production for fiscal 2009 subject to further evaluation, including the potential to incorporate additional Veta material. This compares with its original target of 80,000 ounces. Following the evaluation of the Company's mine plan, including allowances for the loss of additional high grade ore at Arenal, UME has revised its production target for fiscal 2009 to a range of 72,000 -75,000 ounces.

This reforecast reflects the following:

- a significant loss of high grade ore from the Arenal pit in the western portion of the orebody and in a hanging wall ore lens. As production enters its final semester at the Arenal open pit, excavation has returned to the central core of the deposit where mined grade has historically been consistent with resource grade; and
- additional drilling successfully completed at Zapucay and Veta Sur during November and December to define new sources of higher grade ore to be accessed during the second half of the fiscal year.

Resources that will be mined in the second half have better levels of drill density. In addition, infill drilling was completed at Santa Teresa and Zapucay during the half and initial indications are that this drilling modestly increases existing resource estimates. In pit ore control practices and mine planning have also been reviewed and steps taken to improve performance in these areas.

Cash costs for the quarter were \$US 811 per ounce, above the budget for the period due to lower production levels.

For the second half, cash costs per ounce are expected to decline to a range of \$US 450 to \$US 480, resulting in cash costs for fiscal 2009 of between \$US 600 and \$US 630, compared to the Company's original target of \$US575 per ounce. The major factors affecting costs in the second half are:

- a company-wide cost cutting program, including a 20% reduction in headcount;
- lower oil prices and the appreciation of the US dollar against the Uruguayan peso which have recently started to impact positively on operating costs;
- a decline in the price of other consumables such as explosives, cyanide and grinding media which is expected to start flowing through in the second half of fiscal 2009; and
- additional mining costs on other ore sources to replace the high grade ounces lost from Arenal.

These factors were not included in the Company's original budget for fiscal 2009. The impact of cost cutting, lower oil prices, higher Uruguayan peso and lower consumable costs are currently expected to reduce costs by \$US 4 to 5 million in fiscal 2010.

## Financial Performance

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UME reported a net loss after tax of \$US 7.9 million for the quarter, compared with a net profit after tax of \$US 4.4 million in the corresponding quarter last year. The average gold sales price for the quarter was \$US 796 per ounce as hedged, against a cash cost of \$US 811 per ounce. Results for the quarter were negatively impacted by the loss of revenue from the production shortfall and additional depreciation charges also due to loss of production.

Cash flow generated by operations was \$US 0.084 million before working capital items compared to \$US 8.5 million in the corresponding quarter last year. Cash declined to \$US 6.4 million at November 30, 2008 compared to a budget level of \$US 9.6 million. For the second half of fiscal 2009, however, UME is focused on maximizing cash generation targeting a cash balance ranging between \$US million 8 to \$US 10 million by year-end.

UME expects to further reduce expenditure on exploration by approximately \$US 1.25 million in the second half of fiscal 2009. Funding priority will be given to key near mine and high grade targets, while all expenditure on non gold exploration, including Lascano, will be minimised. Other capital expenditure will be restricted during the period.

Capital expenditure for the quarter was \$US 0.5 million invested in property, plant and equipment and \$US 3.3 million in exploration. Investment in exploration included \$US 1.8 million in exploration activities near the mine and in the Isla Cristalina belt, \$US 0.8 million in other gold projects in the Florida and Don Feliciano Belts and \$US 0.7 million on Lascano.

## Overall Strategy

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The external environment for UME's business has changed significantly over the past six months. Costs escalated significantly but are starting to fall, gold prices have been volatile and debt and equity funding is significantly more challenging. In this environment, the ability to internally fund UME's business and achieve a more meaningful production profile will continue to be critical for the Company's ongoing success. In this context, UME's strategy is summarized below:

1. Build gold resources and reserves in Uruguay through exploration and development success:

UME's key corporate objective is to improve its production profile at San Gregorio, maximizing cash generation in the medium term. UME's exploration and development strategy therefore focuses on, in order of priority:

- discovery of a bulk mineable near mine open pit resource or resources;
- definition of higher grade near mine resources in the Isla Cristalina Belt, to be blended with lower grade resources;
- definition of near mine higher grade underground resources;
- definition of one or more stand-alone ore bodies away from the mine to enable the development of a second gold operation; and
- Making a significant discovery at Lascano.

Progress against these objectives are covered in the "*Exploration and Development*" section of this release.

2. Grow production profile through acquisition or merger with other South American assets or companies:

Market values for acquisition opportunities are declining and may be reaching a point where an acquisition has become attractive. As a result, UME has looked at a number of transactions though none of these would, in management's opinion, clearly lead to an increase in shareholder value. As the sector opens up for consolidation, however, management continues to look at an accretive merger or acquisition.

3. Dispose of non gold assets: UME is in advance stages of discussions with a diamond exploration company to allow them to earn a majority interest on the Cinco Rios diamond properties and expects to reach a definitive agreement in the near future. Results at Lascano continue to provide encouragement on the potential of this system. Following the compilation of all data, the Company will offer the project for joint venture in calendar 2009.

4. Maximize cash position and maintaining balance sheet strength: During 2Q 2009 UME took the following measures:

- implemented a company-wide cost cutting program, including a 20% reduction in the workforce and a reduction in owner operator mining from seven to six days per week. Further cost reduction initiatives are being evaluated in the second half of fiscal 2009;
- refocused exploration expenditure with a reduction of \$US1.25 million to \$US 3.9 million in the second half. Future exploration will be focused on near mine targets, expenditure on non-gold projects including Lascano will be minimized, and new project generation will be restricted; and
- further restrict capital expenditure and where possible sell non core assets.

As a result, UME expects to close fiscal year 2009 with a cash balance in the range of \$US 8 million to \$US 10 million. The changes currently being implemented have been designed to achieve a more sustainable position for the Company.

### Summary of Exploration Results

The following table presents a description of key current prospects, target styles, work completed and results achieved during the first half of fiscal 2009, along with work planned for the remainder of the fiscal year.

Description of Prospect	Work Completed in 1H09 & Conclusions	Planned Work
<b>Isla Cristalina Belt: San Gregorio Near Mine Exploration</b>		
<p><b>Rincon de los Castillos District (“Rincon” or “Rincon District”)</b></p> <p>District of 10 km by 5 km along strike to the east-southeast of the Arenal mine has the potential to deliver a bulk resource and/or high grade vein deposits.</p>	<p><u>Los Castillos target (7 km from Arenal)</u></p> <ul style="list-style-type: none"> <li>• Detailed geological mapping, soil sampling and IP geophysical surveys were completed during the quarter.</li> <li>• Rock chip sampling has defined over one kilometer of anomalous gold mineralization with rock chip results up to 48g/t.</li> <li>• Interpreted as the south-eastward continuation of the Arenal structural system</li> <li>• IP surveys to date have defined chargeability and resistivity anomalies interpreted to be zones of silicification with associated pyrite mineralization.</li> </ul>	<p><u>Los Castillos target</u></p> <ul style="list-style-type: none"> <li>• Permits are in place and drilling to commence in January.</li> <li>• Initial 2000 meter RC drill program.</li> </ul>

Description of Prospect	Work Completed in 1H09 & Conclusions	Planned Work
<b>Isla Cristalina Belt: San Gregorio Near Mine Exploration (cont.)</b>		
<b>Rincon District (cont.)</b>	<u>Rincon District</u> <ul style="list-style-type: none"> <li>• Mapping and sampling have identified additional prospective areas to the north and northeast of the Los Castillos target zone.</li> </ul>	<u>Rincon District</u> <ul style="list-style-type: none"> <li>• Detailed mapping, sampling and geophysical IP surveys will continue to refine additional targets in anticipation of drilling during the second half of fiscal 2009.</li> </ul>
<b>Peru &amp; Esperanza Trend</b>  Identification of high grade vein resources along 4 km trend <10km from the San Gregorio mill includes the historical workings of Minas de Corrales, Peru and Esperanza.	<ul style="list-style-type: none"> <li>• Detailed mapping and rock chip sampling in 1Q09 defined the general structural trend of the Peru-Esperanza district.</li> <li>• Additional veins/ mineralized structures were identified by mapping and rock chip sampling with high values up to 66g/t confirming the potential for small pods of mineralization.</li> <li>• Drill permits are in place and a broad spaced drill program was completed over eastern third of the trend (Peru-Esperanza).</li> <li>• Encouraging results were reported such as 3 m at 4.86g/t Au from 26 meters in hole PRRCO27.</li> </ul>	<ul style="list-style-type: none"> <li>• The remainder of the trend to the west is expected to be drilled in the second half of fiscal 2009 (Minas de Corrales &amp; Picaflor prospects).</li> <li>• Follow-up drilling will seek to identify continuity of higher grades around the holes with the best intercepts from the first round of drilling.</li> <li>• The mineralized structures are inferred to have the potential to host high grade (&gt;3g/t), vein resources.</li> </ul>
<b>Arenal Deeps</b>  Defining underground resources and reserves down plunge of the current Arenal operation (pit) with the objective of contributing to production in FY11.	<ul style="list-style-type: none"> <li>• Fifteen diamond drill holes were completed during the first half of fiscal 2009.</li> <li>• Significant mineralization was encountered in six of the ten drill holes completed in 2Q09 with results confirming a thick (&gt;20m), high grade (&gt;3g/t) core to the main shoot.</li> <li>• Best results include 29 meters at 3.85 g/t from 300 meters in hole ALDD098 and 20.15 meters at 4.44 g/t from 374 meters in hole ALDD101.</li> </ul>	<ul style="list-style-type: none"> <li>• An independent resource estimate will be completed by March 2009.</li> <li>• Infill drilling will be required to convert zones of inferred resource to indicated. It is anticipated that a 25 by 25 meter drill spacing will be necessary.</li> <li>• A feasibility study will be required.</li> </ul>

Description of Prospect	Work Completed in 1H09 & Conclusions	Planned Work
<b>Isla Cristalina Belt: San Gregorio Near Mine Exploration (cont.)</b>		
<p><b>Nueva Australia Trend</b></p> <p>Definition of a deep resource that could be exploited by open pit or underground mining located in a 3 km trend 1.2 km north of Santa Teresa. The trend is interpreted to be the structural offset (down to the north) of the main San Gregorio structure.</p>	<ul style="list-style-type: none"> <li>• Five diamond drill holes were completed during 1H09, two of which were completed this quarter as offset holes to the mineralization previously reported in NADD003 (4.65 m at 8.57 g/t Au from 445.9m). Both drill holes intercepted the shear zone/structure, however only NADD005 intercepted significant values of 1m @ 4.67g/t from 260.55m &amp; 0.5m @ 3.38g/t from 350.1m.</li> <li>• Drill hole NADD005 hosts fault breccia , moderate to locally strongly disseminated pyrite magnetite and graphite mineralization and associated silicification and quartz -sulfide veining.</li> </ul>	<ul style="list-style-type: none"> <li>• Define orientation of structure and ore zone from oriented core and design follow-up program as necessary, potentially targeting mineralisation closer to surface.</li> </ul>
<p><b>Santa Teresa</b></p> <p>Definition drilling of the deposit(s) to further refine and hopefully augment the resource model and step out drilling along strike and in the footwall (between Santa Teresa North and main pits)</p>	<ul style="list-style-type: none"> <li>• Resource definition drilling down dip and along strike was completed during 1H09.</li> <li>• Significant results include 9m @ 2.4g/t Au from 55m in hole STRC027, 2m at 6.78g/t Au from 13 meters in hole STRCO29 &amp; 10m @ 1.5g/t from 63m in hole STRC043</li> <li>• Drill results have further defined the deposit and are expected to add modest additional resource.</li> </ul>	<ul style="list-style-type: none"> <li>• Resource model/estimate update to be completed by March 2009.</li> </ul>
<p><b>Polvorín</b></p> <p>Vein deposit discovered and added to mine plan during FY09.</p>	<ul style="list-style-type: none"> <li>• This small resource was exploited during 2Q09.</li> </ul>	<ul style="list-style-type: none"> <li>• The resource remains open at depth under the south edge of the current pit and a limited drill program is planned for January to test the extent of this mineralization.</li> </ul>

Description of Prospect	Work Completed in 1H09 & Conclusions	Planned Work
<b>Isla Cristalina Belt: Zapucay District Exploration Program</b>		
<p><b>Zapucay District</b></p> <p>Resource drilling around the edges of the Zapucay deposit to firm up in-situ resource and test for possible extensions of the host structure(s).</p>	<ul style="list-style-type: none"> <li>• Exploration drilling between Argentinita and Zapucay deposits confirmed the continuation of the host structure(s) but failed to identify significant mineralization.</li> <li>• Extension and definition drilling around the Zapucay pit defined additional resources.</li> <li>• Exploration drilling on the Tito Lopez and Zabala prospects did not return significant results. No further drilling is planned for these prospects.</li> </ul>	<ul style="list-style-type: none"> <li>• Additional resource definition drilling may be required around the Zapucay pit.</li> </ul>
<b>Isla Cristalina Belt: Regional Exploration Program</b>		
<p><b>Castrillón</b></p> <p>A higher grade vein/shear.</p>	<p><u>Western Isla Cristalina Belt</u></p> <ul style="list-style-type: none"> <li>• Engineering has commenced to develop the Castrillón project to feed the San Gregorio plant in 2010</li> </ul> <p><u>Eastern Isla Cristalina Belt</u></p> <ul style="list-style-type: none"> <li>• Exploration work limited to follow up sampling and completion of a district wide sediment program.</li> <li>• Drill permits are in place for Vaca Muerta, Curtume, and Vichadero prospects.</li> <li>• Stream sediment sampling program has been completed.</li> </ul>	<p><u>Western Isla Cristalina Belt</u></p> <ul style="list-style-type: none"> <li>• An independent resource estimate is expected to be reported for Castrillón by the end of 3Q09.</li> </ul> <p><u>Eastern Isla Cristalina Belt</u></p> <ul style="list-style-type: none"> <li>• Areas with anomalies will be kept in prospecting permits for future drilling/exploration programs.</li> </ul>
<b>Southern Uruguay Exploration Program: Florida and Don Feliciano Belts</b>		
<p><b>Casupa/Crucera District</b></p> <p>An area of 20 km by 5 km in the Florida Belt that contains a number of vein/shear deposits.</p>	<p><u>Madre con Hijos Vein</u></p> <ul style="list-style-type: none"> <li>• Commenced a 1,300 meter drill program to test the Madre con Hijos vein set at Casupa.</li> <li>• Most significant result from the first six holes in the thirteen hole campaign was 2 m at 3.45 g/t Au in hole MCH-08-001.</li> </ul>	<ul style="list-style-type: none"> <li>• Results of the drill program will be reviewed in the 2H09 to establish if the district is capable of supporting a stand alone project.</li> </ul>

Description of Prospect	Work Completed in 1H09 & Conclusions	Planned Work
<b>Southern Uruguay Exploration Program: Florida and Don Feliciano Belts</b>		
<p><b>Paso de Lugo</b> Shear/vein system 3 km long in the Arroyo Grande Belt. Exploration is targeting a stand alone project.</p>	<ul style="list-style-type: none"> <li>• Surface sampling during 1H09 has identified a significant surface anomaly with consistent rock chips in veins and granite host rocks.</li> <li>• Sampling in 2Q09 extended the mineralized vein/shear system to greater than 3 km in length.</li> <li>• The system is locally up to 150 meters wide.</li> <li>• Drill permits were received in December.</li> </ul>	<ul style="list-style-type: none"> <li>• Phase one drill program expected to commence in 2H 2009.</li> </ul>
<p><b>Texas</b> A series of thin and discontinuous vein sets occurring over a one kilometer strike in the northern Don Feliciano Belt. Exploration is targeting a stand alone project or smaller, high grade deposits that could be transported to San Gregorio.</p>	<ul style="list-style-type: none"> <li>• Surface sampling and mapping during 1H09 have identified a high-grade vein system over a one kilometer strike length.</li> <li>• Results up to 72 g/t Au have been reported from thin veins.</li> <li>• To date, these veins are unlikely to be of sufficient size to support a stand alone operation, but may provide high grade feed that could be transported to San Gregorio.</li> </ul>	<ul style="list-style-type: none"> <li>• Mapping and sampling will continue to define the area for possible targets to be drilled during calendar 2009.</li> </ul>
<p><b>Presidente Terra</b> Located near a regional north-west shear structure within the Don Feliciano Belt. Exploration is targeting a stand alone project or smaller, high grade deposits that could be transported to San Gregorio.</p>	<ul style="list-style-type: none"> <li>• Results of a first drill pass program of 51 holes over 6.6 kilometres are encouraging, with over 45% of the drill holes reporting two meter or greater intercepts of more than 1.0 g/t Au.</li> <li>• Over 70% of the drill holes intercepted the structural target and reported anomalous mineralization greater than 0.5 g/t.</li> </ul>	<ul style="list-style-type: none"> <li>• The central third of the property is expected to be drilled during calendar 2009. New model testing zones to be evaluated in 2H09.</li> <li>• A number of zones identified in the first round of drilling have the potential to provide high grade ore to be transported to San Gregorio. Follow-up drill is required to define resources.</li> </ul>

Description of Prospect	Work Completed in 1H09 & Conclusions	Planned Work
<b>Southern Uruguay Exploration Program: Florida and Don Feliciano Belts (cont.)</b>		
<p><b>Rocha</b> Definition of a significant new prospect at Rocha, 60 kilometers south of Lascano. Exploration is targeting a stand alone project.</p>	<ul style="list-style-type: none"> <li>• First pass and local detailed mapping were completed over a 15 kilometer structural corridor in 2Q09.</li> <li>• Significant surface results include up to 101 g/t Au associated with sulfide mineralization composed partly of arsenopyrite and galena.</li> </ul>	<ul style="list-style-type: none"> <li>• It is anticipated that a total of 20 to 25 km of the principal vein structure will be mapped during the 2H09.</li> <li>• Drill targets are expected to be developed during 2H09.</li> <li>• A drill program is planned for late FY09.</li> </ul>
<b>Lascano Project Exploration Program</b>		
<p><b>Lascano</b> Geophysical anomaly comprised of three large (20km) circular features interpreted to represent intrusive bodies within a rift setting. 158m of anomalous copper in LASDDH-002 indicates the potential for an IOCG or copper porphyry system.</p>	<ul style="list-style-type: none"> <li>• Completed four holes in phase II drill program.</li> <li>• Results received indicate that a strong hydrothermal system is associated with underlying intrusive suite of rocks. Analytical results from these four holes show only weak copper mineralization.</li> </ul>	<ul style="list-style-type: none"> <li>• Data being compiled. The intention is to look for a partner in the second half of fiscal 2009 to progress the project.</li> </ul>

For more information on UME's exploration activities for the quarter, please refer to the Exploration Report for the Quarter ended November 30, 2008 available at [www.uruguayminerals.com](http://www.uruguayminerals.com)

#### Qualified Person's Statement

The technical information presented in this press release has been reviewed and verified by Mr. John Sadek, Vice President Operations and a Mining Engineer, and Mr. George Schroer Vice President Exploration and a Certified Professional Geologist. Mr. Sadek and Mr. Schroer are the Qualified Persons for the purposes of the AIM Guidance Note on Mining, Oil and Gas Companies dated March 2006. Mr. Sadek has a Bachelor of Engineering (Mining) from the University of Sydney and is a member of the AusIMM and SME. He has over 20 years of international experience in mining. Mr. Schroer has a Masters of Science in Geology from Colorado State University and is a member of SEG and AIPG. He has over 20 years of international experience in exploration.

#### Forward Looking Statements

All statements, other than statements of historical fact, contained or incorporated by reference in this news release, including any information as to the future financial or operating performance of UME, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and the United States Private Securities Litigation Reform Act of 1995 and are based on expectations estimates and projections as of the date of this news release. There can be no assurance that such statements will prove to be accurate, such statements are subject to significant risks and uncertainties, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements include,

without limitation success of exploration activities; permitting time lines; the failure of plant; equipment or processes to operate as anticipated; accidents; labour disputes; requirements for additional capital title disputes or claims and limitations on insurance coverage. UME disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events and such forward-looking statements, except to the extent required by applicable law.

## **ENDS**

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.

### **About Uruguay Mineral Exploration Inc.**

Uruguay Mineral Exploration Inc. (UME) is a gold production and exploration company that identifies and develops mineral opportunities in South America. UME is a fully integrated mining company, possessing the skills necessary to explore and develop its discoveries. UME operates San Gregorio, the only producing gold mine in Uruguay, and is the leading mineral exploration company in Uruguay with an exploration portfolio of gold, diamonds and base metal prospects, including copper, nickel, lead, and zinc.

Uruguay Mineral Exploration Inc. is quoted in Canada (TSXV) and London (AIM) and RBC Capital Markets is its Nominated Adviser and Broker. More information can be found at [www.uruguayminerals.com](http://www.uruguayminerals.com)

For further information, please contact

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## **Financial Statements Follow**

**Consolidated Balance Sheets  
(Unaudited)**

(Thousands of United States Dollars, except where indicated)

	As at	
	November 30, 2008	May 31, 2008
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	6,439	18,601
Accounts receivable	4,434	2,810
Inventories (Note 2)	17,677	16,749
Prepaid expenses	1,073	1,004
<b>Total Current Assets</b>	<b>29,623</b>	<b>39,164</b>
Property plant and equipment and mineral properties (Note 3)	23,071	29,681
Deferred exploration (Note 4)	15,356	8,948
Future income tax assets	3,429	5,375
Restricted cash	176	191
<b>Total Non Current assets</b>	<b>42,032</b>	<b>46,079</b>
<b>Total assets</b>	<b>71,655</b>	<b>83,359</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	8,822	8,816
Fair value of derivatives (Note 9)	795	0
Restructure plan (Note 11)	482	0
Current portion of long term debt (Note 5)	111	2,275
<b>Total Current liabilities</b>	<b>10,210</b>	<b>11,091</b>
Long term tax payable	2,414	2,414
Long term debt (Note 5)	7	25
Asset retirement obligation	2,940	2,869
<b>Total Non current liabilities</b>	<b>5,361</b>	<b>5,308</b>
<b>Total liabilities</b>	<b>15,571</b>	<b>16,399</b>
Capital stock (Note 6)	34,642	35,043
Warrants and convertible notes (Note 6)	12	12
Contributed surplus	4,168	3,882
Accumulated other comprehensive income	(19)	(19)
Retained earnings	17,281	28,042
<b>Total shareholders' equity</b>	<b>56,084</b>	<b>66,960</b>
<b>Total liabilities and shareholders' equity</b>	<b>71,655</b>	<b>83,359</b>

**Consolidated Statements of Income, other comprehensive income and Retained Earnings  
(Unaudited)**

(Thousands of United States Dollars except for earnings per share and weighted average number of shares outstanding)

	Three months ended November 30		Six months ended November 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Net Sales</b>	<b>11,659</b>	21,180	<b>29,380</b>	34,433
Operating expenses	<b>(12,351)</b>	(9,800)	<b>(27,154)</b>	(17,670)
Amortization and depreciation	<b>(5,971)</b>	(4,228)	<b>(8,971)</b>	(7,093)
<b>Operating expenses</b>	<b>(18,322)</b>	(14,028)	<b>(36,125)</b>	(24,763)
<b>Sub-total</b>	<b>(6,663)</b>	7,152	<b>(6,745)</b>	9,670
<b>Other income (expenses)</b>				
Stock based compensation expense	<b>(249)</b>	(314)	<b>(286)</b>	(506)
General and administrative expense	<b>(1,066)</b>	(1,155)	<b>(2,263)</b>	(2,166)
Non-hedged derivative	<b>733</b>	0	<b>(795)</b>	0
Interest expense and debt accretion	<b>(63)</b>	(241)	<b>(138)</b>	(303)
Foreign exchange	<b>176</b>	92	<b>24</b>	50
Interest earned and other income	<b>85</b>	183	<b>277</b>	379
	<b>(384)</b>	(1,435)	<b>(3,181)</b>	(2,546)
<b>Income (loss) before taxes</b>	<b>(7,047)</b>	5,717	<b>(9,926)</b>	7,124
Current income taxes (provision) recovery	<b>1,110</b>	(2,002)	<b>1,110</b>	(2,436)
Future income taxes (provision) recovery	<b>(1,970)</b>	654	<b>(1,945)</b>	905
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(7,907)</b>	4,369	<b>(10,761)</b>	5,593
<b>Retained earnings, beginning of period</b>	<b>25,188</b>	22,585	<b>28,042</b>	22,986
<b>Dividends</b>	<b>0</b>	(151)	<b>0</b>	(1,776)
<b>Retained earnings, end of period</b>	<b>17,281</b>	26,803	<b>17,281</b>	26,803
<b>Earnings (loss) per common share</b>				
Basic (Note 10)	<b>(0.162)</b>	0.089	<b>(0.220)</b>	0.114
Diluted (Note 10)	<b>(0.162)</b>	0.087	<b>(0.220)</b>	0.112
<b>Weighted average shares outstanding</b>				
Basic	<b>48,667,068</b>	48,926,268	<b>48,675,801</b>	48,926,268
Diluted	<b>48,728,068</b>	49,947,268	<b>48,841,801</b>	49,920,268

**Consolidated Statements of Cash Flows  
(Unaudited)**

(Thousands of United States Dollars, except where indicated)

	Three months ended November 30		Six months ended November 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income (loss) for the period	(7,907)	4,369	(10,761)	5,593
Adjustments for:				
Amortization and depletion	5,971	4,228	8,971	7,093
Fair value of derivatives	(733)	0	795	0
Accretion of debt	35	126	82	169
Future income taxes	1,970	(654)	1,945	(905)
Stock based compensation	249	314	286	506
Restructure plan contingent provision	482	0	482	0
Other	17	99	13	136
	84	8,482	1,813	12,592
Net change in non-cash working capital balances (Note 8))	(2,038)	300	(2,615)	351
	(1,954)	8,782	(802)	12,943
<b>Financing activities</b>				
Proceeds from the issue of share capital	0	0	0	593
Payments of finance lease net of draw downs	(47)	(49)	(94)	(95)
Share repurchase	0	0	(401)	0
Dividend payment	0	(1,776)	0	(1,776)
	(47)	(1,825)	(495)	(1,278)
<b>Investing activities</b>				
Purchase of property, plant and equipment and development costs	(584)	(1,354)	(4,457)	(6,101)
Exploration expenditure	(3,327)	(2,493)	(6,408)	(4,801)
	(3,911)	(3,847)	(10,865)	(10,902)
<b>Increase (Decrease) in cash</b>	<b>(5,912)</b>	<b>3,110</b>	<b>(12,162)</b>	<b>763</b>
Cash at the beginning of period	12,351	11,631	18,601	13,978
<b>Cash at the end of period</b>	<b>6,439</b>	<b>14,741</b>	<b>6,439</b>	<b>14,741</b>